

BEST PRACTICES

IRELAND: AN EXAMPLE OF BEST PRACTICES IN THE UTILIZATION OF EU FUNDS

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Abstract

Ireland holds the story of a successful evolution from the moment of its accession to the European Union up to the present day, achieving an impressive economic transformation that repositioned the country in the hierarchy of developed EU member states.

The 37 years that passed from the moment of its accession were not characterized only by expansion periods, nor were they characterized by a rapid improvement in the economic indicators. Ireland was confronted with 2 oil crises and with a pro-cyclical fiscal expansion combined with salary increases, which had a negative impact on the economy. The budgetary consolidation, fiscal reform and moderate salaries established through a social partnership contributed to the rise in competitiveness, transforming Ireland into an attractive country for foreign direct investments.

The measures taken at the national level created the necessary climate for the successful absorption of EU funds. Until the end of 1999, Ireland had absorbed 74.4% of the cohesion funds allocated and starting with 2000 the absorption rate raised to 92.1% of the amounts allocated until 2003 when Ireland didn't meet anymore the criteria for assistance through the Cohesion Fund. Ireland focused on the implementation of transport and environment infrastructure projects, on the development of human resources and the improvement of education, succeeding in the same time to attract direct foreign investments in the high-tech industry from companies that had entered the single market.

Ireland can provide, even after a summary analysis of the path followed to access EU funds, an example of best practices on the pragmatic approach and coherent policy elaboration designed to attract and implement EU funds, on the prioritization and guidance of the funds towards increased efficiency and the development of a healthy macroeconomic environment, on the creation of a partnership between the state, employers, unions, farmers, etc. in order to ensure credibility and support for government's strategies.

Keywords: Ireland's success story, best practices in the absorption of EU funds, Ireland's development, cohesion funds in Ireland, structural funds in Ireland

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Introduction

Ireland holds the story of a successful evolution from the moment of its accession to the European Union up to the present day, achieving an impressive economic transformation that repositioned the country in the hierarchy of developed EU member states. The mere signature of the Accession Treaty on 22nd January 1972 in Brussels and its entry into force on 1st January 1973 could not guarantee a spectacular economic ascent without efforts at the national, regional and local level. In fact, the 37 years were not characterized only by expansion periods or by a rapid improvement in the economic indicators. However, Ireland was the first “graduate” of the Cohesion Fund, exceeding the inclusion threshold¹ in mid 2003. In the 10 years in which the country benefited from cohesion funds, its economy doubled, registering a medium annual GDP increase of 8%. The absorption of cohesion funds was not the only variable that contributed to Ireland’s evolution, other factors having influenced its development as well. The Cohesion Policy of the European Union played an important role in the transformation of the Irish economy, bringing Irish standards of living closer to the EU level of the 1990s. From the moment of joining the EU until 2006, Ireland received over 17 billion euros in the form of structural and cohesion funds. The co-financing through EU funds complemented the measures taken at national level. Budgetary consolidation, fiscal reform and moderate salaries established through social partnership contributed to the rise in Ireland’s competitiveness, transforming it into an attractive country for direct foreign investment. Solid macroeconomic policies were sustained by structural measures in education and professional training, fiscal reforms and reforms of the social protection system, ensuring availability of a skilled workforce that could satisfy market demand.

1. Measures taken at national level

In the period 1973-1986 Ireland’s ascent was not spectacular as the country didn’t manage to attain the level of convergence that would have brought it closer to the average GDP/inhabitant of the EU15 countries. A study performed in 2003 (Frank, 2003), shows that in this period, dominated by 2 oil crises², the cohesion countries³ were characterized by

¹ The EU member states with a GNP (gross national product) below 90% of the EU average can benefit from financing through the Cohesion Fund.

² The oil crisis of 1973 began on 17 October 1973 when the members of the Organization of Arab Petroleum Exporting Countries, known by the acronym OAPEC (OAPEC is formed by Arab countries members of OPEC, Syria and Egypt), proclaimed an oil embargo as a reaction to the US decision to send arms to Israel during the Yom Kippur war. OAPEC declared that no oil would be exported to the US and other countries that supported Israel in the conflict. Arab countries decreased production by 5% compared to September 1973 and decided to reduce production further by increments of 5% until the economic and political objectives would be attained. Independently from these decisions, OPEC members decided to use their influence over the price setting mechanism to stabilize revenues, taking the decision to increase oil prices by 70% to \$5.11/barrel. Most of the industrialized economies were dependent on crude oil and OPEC was the main supplier.

The oil crisis of 1979 began in January 1979 with the start of the revolution in Iran when the protests to abolish monarchy and install the Islamic Republic shook considerably the oil sector in this country. While the new regime of Ayatollah Khomeini resumed oil exports, their volume decreased and important fluctuations were registered, which lead to price increases. Saudi Arabia and OPEC members under the leadership of Dr. Mana Alotaiba increased production to compensate for the

a greater macroeconomic instability than the EU average. Moreover, the study suggests that this phenomenon of less developed countries which, in the face of difficult global economic conditions, lose more easily the control at macroeconomic level, could be the cause of a low level of convergence in periods characterized by reduced economic activity. The shocks of the oil crises were exacerbated in all cohesion countries by the explosion of salaries. While the causes of salary increases were different from one Member State to another⁴, Ireland was characterized, towards the end of the 70's, by pro-cyclical fiscal expansion combined with salary increases.

An analysis of the budgetary strategies (Leddin & Walsh, 2003) adopted by numerous fragile Irish governments shows that they responded to the shocks of the oil crisis by increasing expenditure in an attempt to maintain the aggregate demand at a constant level. The strategy proved inefficient when the economy started to rebound. In the hope that economic growth will generate sufficient fiscal revenues to eliminate the budgetary deficit, the government invested in 1977⁵ established, through a naive Keynesianism⁶, pro-cyclical fiscal expansion that they considered to be a fiscal boost to financing from own sources. Unfortunately, the desired effects did not appear. The deficit got out of control when interest rates started to soar worldwide due to the second oil crisis. The governments that followed in the beginning of the 80's responded to the economic crisis by increasing taxes, Ireland registering the greatest rate of tax increase (compared to the GDP) from among all the OECD⁷ countries. The fiscal burden lead to an increase in salary demands, exacerbated unemployment rate and rising social costs. The disagreements at political level did not permit the implementation of a policy to reduce budgetary expenditures, government's attitude or the criticism of the opposition leading to the fracture of the government coalition or the withdrawal of support for minority governments⁸.

worldwide decline, attaining a global decrease of only 4%. Nevertheless, the panic created lead to a price increase greater than expected.

³ Cohesion countries are member states beneficiaries of the Cohesion Fund. The first countries that received such funds after the setting-up of the Cohesion Fund in 1993 were: Ireland, Spain, Greece and Portugal.

⁴ Spain, Greece and Portugal turned to democracy in this period.

⁵ Fianna Fail government acquired its name from the Fianna Fail Republican Party which obtained the greatest victory in its history at the elections of 1977, obtaining parliamentary majority with 84 of the 148 seats. The analysts of that time considered that the victory was due to the popular policies promoted by the party, people's dissatisfaction with the government coalition, as well as the popularity of its leader, Jack Lynch.

⁶ Keynesianism is a macroeconomic theory based on the ideas of the British economist John Mayard Keynes. The Keynesian economy considers that the decisions taken by the private system lead to inefficient results at macroeconomic level and therefore it is necessary to have the public sector intervene through the monetary policy of the Central Bank and the government's fiscal policy.

⁷ Organisation for Economic Cooperation and Development

⁸ Patrick Honohan, economic advisor for the government in that period, mentioned that immediate political pressures, and not rational arguments, were at the base of the decision to increase taxes to the detriment of reducing expenditure. It was considered that a reduction in expenditure hits hard well-determined interest groups, while an increase in taxation can be homogeneously spread over the entire population. Even the political party that won the elections in 1977 (Republican Party Fianna Fail) and implemented a policy of drastic reduction in expenditure, used a slogan to point out that cost reductions in the field of health will affect mainly the old, the poor and the handicapped.

The changes in fiscal strategy of 1987 allowed for the reduction of future fiscal burden. These, combined with the social partnership model for the establishment of salaries, lead to a rise in competitiveness. A substantial increase in structural funds⁹ since 1989 facilitated the continuation of infrastructure projects that had been suspended when the government had changed the fiscal strategy. Moreover, Ireland succeeded to attract a great percentage of the foreign direct investments in the high-tech industry from companies entering the European single market.

Ever since the beginning of the 1980s, the governments that followed tried to reduce budgetary deficit by increasing taxes instead of adopting a strategy of expenditure reduction, which would have been too costly at the political level. Between 1986 and 1987, a combination of factors paved the way to stabilization. In particular, the reduction of government expenditure was supported by a depreciation of the currency that turned Ireland into a more competitive country than Great Britain from the point of view of cost attractiveness. Moreover, the economic revival at world level supported the decrease in expenditure, which now had a counter-cyclical character. Other two factors, an institutional and a political one, created the premises for fiscal consolidation in 1986. At the institutional level, social partners (employers, unions, farmers, etc.) agreed on the necessity of fiscal consolidation. At political level, the opposition offered support in view of expenditure reduction. The Minister of Finance of that time noticed in 1987 that, for the first time, political consensus on fiscal policy was attained in order to be able to reach consensus on the economic policy presented in the *Strategy for development 1986-1990*. The strategy classified the social and economic problems that Ireland was confronted with as extremely serious and established as prime objective of the fiscal policy the stabilization of debt through expenditure reduction, not through tax increases. The year 1987 witnessed the inclusion of social partners in the determination of salaries, this social partnership between government, employers and unions remaining the foundation of future debates on salary considerations taking place each 3 years. The governments that followed used this procedure to request social partners to reaffirm their support for salary moderation in exchange for future fiscal reductions, which was considered to have contributed to the increase in the net salary by a third.

2. The Cohesion Fund in Ireland

2.1 Budgetary allocations

In the first budgetary programming period of the Cohesion Fund (1993-1999), the 4 eligible member states benefited from financial assistance of up to 16.8 billion euros, out of which only 9% (1.5 billion) were allocated to Ireland (Table no.1). The objective established by the Commission in 1995 was achieved, as the equilibrium was reached between environment and transport infrastructure projects (50% for each). A big proportion of the

⁹ Financial instruments and initiatives to address economic and social disequilibriums at Community level existed from the start of the European integration process, but only in 1986 the legal bases were laid down through the Single Act, which paved the way to an integrated cohesion policy. In the period 1958-1988, the European Social Fund (set up in 1958), the European Fund for Agricultural Guidance and Guarantee (set up in 1962), the European Fund for Regional Development (set up in 1975) co-financed projects selected by the member states.

cohesion funds for the 4 countries was used for financing utilities for water treatment and distribution, allocation that fulfilled Commission request to prioritize these investments.

Table no. 1: Allocation of cohesion funds in the period 1993-1999 (million euros)

	Environment		Transport		Total	
	Mil. EUR	%	Mil. EUR	%	Mil. EUR	%
Greece	1,464	49%	1,535	51%	2,999	100%
Ireland	747	50%	748	50%	1,495	100%
Portugal	1,559	52%	1,446	48%	3,005	100%
Spain	4,654	50%	4596	50%	9,250	100%
Total	8,424	50%	8,325	50%	16,749	100%

Source: European Commission – Directorate General for Regional Policy

For the 2000-2006 programming period, the European Council decided in 1999 to allocate a budget of 18 billion euros for the Cohesion Fund. At that moment, when the 5th wave of accession had not been considered yet, Ireland's allocation represented a small percentage of the funds (2-6%), compared to Greece (16-18%), Portugal (16-18%) and Spain (61-63%).

Although Ireland received a small percentage of funds (around 5%), it is the first member state that left the cohesion countries club. The domains benefiting from funds are presented below in Table no. 2.

Table no. 2: Total amounts allocated by sector to the 4 countries

1993-1999			1993-1999		
Environment	Mil. EUR	%	Transport	Mil. EUR	%
Drinking water	2,577	15.4%	Roads	4,706	28.1%
Waste water	3,818	22.8%	Rail roads	2,819	16.8%
Solid waste	948	5.7%	Airports	496	3.0%
Erosion control	623	3.7%	Ports	237	1.4%
Other	458	2.7%	Air control	38	0.2%
Total	8,424	50.3%	Other	29	0.2%
			Total	8,325	49.7%
			Total contribution	16,749	100%

Source: European Commission – Directorate General for Regional Policy

2.2 The procedure to access cohesion funds in Ireland

In general, the application to access cohesion funds in Ireland included a technical evaluation, a financial plan specifying the total annual expenses, a cost-benefit analysis and

an evaluation of the project's potential impact on the environment. Unlike accessing structural funds, which are based on operational programs, the European cohesion funds are allocated following an individual evaluation of the projects.

Regarding the process of project elaboration, the Department of Transport, together with the National Authority for Roads, analyzed the National Program for Road Development to establish the main projects that deserved financing from cohesion funds. An indicative list of projects together with key information was prepared and sent to the Finance Department and the European Commission before the official submission of the application, in order to obtain preliminary feedback on projects' suitability. The application for financing was subsequently prepared by the National Authority for Roads, then it was forwarded to the Department of Finance in order to be sent officially to the European Commission.

For the projects targeting the water system, the Department for the Environment, in consultation with the technical inspectorate, analyzed the National Program for Water in view of identifying projects that deserved financing from cohesion funds. Just as in the case of transport projects, an indicative list of projects together with key information was prepared and sent to the Finance Department and the European Commission to obtain preliminary feedback on projects' suitability. The application for financing was elaborated by the Department for the Environment, taking into account Commission Vade-Mecum and the Strategic reference framework. The application was revised by the Department of Finance and submitted officially to the European Commission.

2.3 Projects financed in the period 1993-2003 from cohesion funds

Since the set-up of the Cohesion Fund in 1993, Irish officials developed a successful system to apply efficiently for EU funds financed through the Cohesion Fund. In the period 1993-2003, Ireland absorbed over 2 billion euros through 120 infrastructure projects financed from EU funds. The absorption capacity represents a conclusive indicator of Ireland's success. Until the end of 1999 (the end of the first programming period), Ireland had absorbed 74.4% of the funds allocated, the other 3 countries having registered an average of 69.5%. However, starting with 2000, the absorption rate increased, reaching 92.1% of the assistance allocated until 2003 when Ireland didn't meet anymore the criteria for assistance from the Cohesion Fund. In the same period, the absorption rate for the 3 remaining cohesion countries (Spain, Portugal and Greece) was slightly above 74%. The impressive success rate in Ireland can be attributed to a more accelerated progress in finalizing older projects and to a very good evolution in implementing new projects that received assistance in the period 2000-2003.

Accessing European funds was beneficial for the transport system, facilitating the development of national road corridors in view of reducing travel time, improving road safety, reducing the negative impact of traffic in residential areas and diminishing the level of sound pollution. Major priorities in the field of road transport were: the finalization of the Dublin ring (M50) and of the road Dublin-Belfast (M1), as well as the improvement of the roads Dublin-Sligo (N4), Dublin-Limerick (N7) and Dublin-Rosslare (N11). After the set-up of the Cohesion Fund, Ireland benefited from a high level of EU financial assistance for planning and programming important transport projects, which contributed to the subsequent implementation of numerous infrastructure projects in the 1990s. A total of 36

road projects received financial support in the 10 years in which Ireland was a cohesion country, 24 of them being finalized on schedule, which brought numerous benefits to the business world, as well as to the development of tourism.

Railroad projects focused on improving main rail corridors, including the trans-national rail to Belfast that lead to an increase in transport speed, improvement of rail safety and the extension of the DART service to Dublin area. The financial assistance for such projects was rather high in the period 1993-1999, reaching 78% of the project value.

Irish ports were restored to accommodate increased traffic at lower costs. A total of 10 relatively small scale, but important, projects received assistance. Although the financial assistance for ports was relatively small, it had a significant effect on increasing port capacity, especially considering that Ireland is an insular country.

A single small scale project targeted airports and was financed and finalized during the first programming period.

The benefits that the EU funds brought to the environment were vital to the amelioration of water quality and distribution, as well as to the increase in capacity to treat waste water as compared to EU standards. In the period 1993-1999, almost 59% of the National Water Services Program had been financed from cohesion funds, but in 2003 the level of assistance decreased to 35.2%. Nevertheless, the significant financial aid of the first programming period paved the way for further investments in this area. Particularly during the 1990s, the Cohesion Fund provided assistance for the first water-capture projects whose purpose was to promote a wider approach to water conservation and quality assurance and to ensure better use of existing resources. Initially, Irish authorities wanted to focus more on water distribution, but the discussions with the European Commission convinced them of the importance of water conservation mechanisms. Projects that focused on water conservation were successful, especially considering that they were less costly and focused on the improvement of already existing systems or networks. These projects lead also to improvements in the water distribution system in the Dublin area without necessitating a new major infrastructure.

A special focus was given to projects that concentrated on waste water treatment, domain which received the most cohesion funds in the period 1993-1999 with a total of 32% being allocated to this type of projects. The second ranking field, projects concentrating on drinking water, received about 16%, almost two times less. In the next period (2000-2003), special attention was given also to waste water treatment projects, especially to important large-scale undertakings to treat water in the main urban centres - Dublin, Limerick and Cork.

Relatively few projects focused on solid waste, representing 0.6% of the funds allocated to Ireland. The assistance was employed to support 3 small scale projects over the 10 year period. The level of investment dedicated to this field was reduced also in the other 3 Member States, a total of 5.7% of the cohesion funds being allocated in the period analyzed in all 4 cohesion countries.

Drawing lessons from the challenges encountered in the previous period, for 2000-2003 the Irish authorities presented a package of priority projects that were entering the implementation phase or were already at the construction stage. These projects were of a larger scale than those co-financed in the previous period (1993-1999), necessitating multi-annual financial assistance. Initially, the Commission approved the amount of 405 million euros for 6 large scale infrastructure projects, of which 3 focused on waste water treatment to help 3 Irish urban centres attain by 2005 the standards foreseen by Directive 91/271/EEC concerning urban waste-water treatment. Moreover, 2 railroad projects with an estimated initial cost of 752 million euros were approved. Other 2 road projects and one solid waste project were approved before the end of the eligibility period in 2003. While in the field of environment the greatest attention was given to waste water projects, in the field of transport, Ireland spent most of the money on road projects.

2.4 The importance and impact of cohesion funds

At the beginning of the 1990s, Ireland was not the only country struggling to develop, some peripheral countries being confronted with problems linked especially to the underdevelopment of the transport infrastructure (roads, railroads, ports, and airports) that impeded economic development. Moreover, these countries were confronted with problems related to environment legislation which was not adapted to EU requirements, inappropriate water treatment and distribution facilities, aged waste management infrastructure, the use of basic methods for river basin management and protection of natural habitat. Infrastructure improvement was essential in order for these Member States to become active participants on the single market. An undiversified industrial base, overdependence on agriculture, a relatively small service market that was too specialized (for example, mass tourism put pressure on infrastructure and environment), underdeveloped energy and telecommunication infrastructure, high costs of industrial and infrastructure progress (especially due to the need to observe environment legislation requirements) are just a few of the problems that Ireland was confronted with.

In 1993 the Irish system of water treatment and distribution necessitated major investments to attain the standards required by the EU directives. Important investments were also needed in the transport infrastructure. Implementing projects that attracted cohesion funds lead to substantial improvements in the environment protection infrastructure through water treatment projects developed in big urban centres such as Dublin, Cork and Limerick, as well as other urban centres throughout the country.

The investments made in the transport infrastructure were substantial, although they needed to be continued in order to keep up with Ireland's development. The projects implemented focused on the European roads from Rosslare to the boarder with Northern Ireland, as well as on the inter-urban roads between Dublin and Cork. Cohesion funds also contributed to the improvement of railroad infrastructure including the Dublin-Belfast and Cork-Dublin rail and the extension of the DART¹⁰ system to Dublin.

¹⁰ DART (Dublin Area Rapid Transit) refers to the rapid transit area in Dublin.

Notwithstanding the main contribution of the Cohesion fund, namely the co-financing of infrastructure projects, the assistance had also additional positive effects bringing increased rigor to cost-benefit analysis. Regular project monitoring by the Monitoring Committee of the Cohesion Fund allowed for the identification of implementation problems and cost overrun issues. The experience gained through the implementation of financial control procedures associated to the Cohesion Fund, as well as through the actions taken to improve project management procedures in order to respond to EU requirements, was important for the continuation of reforms. The positive impact that the implementation of cohesion projects brought about can be translated through economic development and a rise in the standard of life.

3. Structural Funds in Ireland

The 1989 expansion of structural funds allocated to Ireland played a role in attracting foreign investment as far as existent infrastructure allowed it, but also influenced the type of foreign investments that Ireland attracted, focusing especially on the development of human capital. Ireland spent more money on the development of human resources than any other cohesion country, which contributed to the rise in the professional qualifications level of the Irish workforce. Directing an important part of the funds towards the development of human resources was influenced by the national strategy to attract foreign direct investments, by the successful use of a lower level of regional EU aid in the 1970s and by the fact that investment priorities were determined at national rather than regional or local level.

Moreover, the strict implementing conditions imposed by the European Commission lead to the introduction of a system of evaluation procedures that were later adopted also by the public administrations in the expenditure of their own funds. In the past, once the budget had been approved by the Parliament, the only concern was to spend public money in accordance with legal procedures, therefore the attention was directed exclusively to procedures. Subsequently, the administration started to show interest to efficiency analysis and impact evaluation.

Moreover, Ireland was advantaged by the setting-up of the European single market which led to an increase by 100% of EU foreign investments by American companies, Ireland having attracted 4 times more investments than previously. Also important was the liberalization of public acquisition practices within the single market, a decision which favoured Ireland, taking into account that the big EU Members States could no longer block public acquisitions from Irish companies. Ireland also attracted throughout the 1990s a series of investments in the IT field (especially software), as well as financial international services. Ireland's ability to attract foreign investments in the high-tech field was certainly facilitated by the enhancement of the educational level, which played a decisive role in Ireland's economic development.

3.1 The impact of structural funds accessed in the period 1989-2006

Structural funds contributed through the increase in the net capital inflow in the economy and, more importantly, through co-financing structural measures for regional development, infrastructure and development of human resources. As indicated by the Second Progress

Report on Economic and Social Cohesion of the European Commission (European Commission, 2003), “Ireland is an example of good practice at the highest level”, taking into account that it “demonstrates what could be achieved if the financial assistance allocated through the structural funds is integrated in coherent policies that uphold healthy macroeconomic conditions which could be maintained through social consensus”. (Table no. 3)

Table no. 3: Structural funds allocated to Ireland in the period 1989-2006

	1989-1993		1994-1999		2000-2006	
	Mil. EUR	% of NDP	Mil. EUR	% of NDP	Mil. EUR	% of NDP
<i>National Development Plan</i>	12,275		16,800		57,111	
<i>of which co-financed investment</i>	8,339	67.9%	10,383	61.8%	7,680	13.5%
<i>of which structural/ cohesion funds</i>	3,672	30.0%	6,921	41.2%	3,739	6.55%

Source: Irish Bureau for Regions

After the reform of the Structural Funds at the end of the 1980s, Ireland experienced a gradual evolution over the 3 programming periods, from the above mentioned reform up to the current programming period.

The strategic priority of the 1989-1993 period, the National Development Plan, laid out the support for development at national level, an objective which was facilitated by the fact that, in the context of structural funds, Ireland stood as a single NUTS 2 region¹¹. The regional contribution over this programming period was limited to a single function delegated to the Sub-regional Review Committees, for which there was no legal base and which had limited resources.

The next National Development Plan covered the period 1994-1999, and set out to consolidate the achievements of the previous period and, once again, established the strategic coordination at national, not regional level.

¹¹ Since the creation of the European Regional Development Fund in 1975 and until 1994, Ireland stood as a single NUTS 2 region.

NUTS represents the Nomenclature of Territorial Units for Statistics and is a classification system used by the European Union to collect statistical data at regional level. All regions in the EU are classified on 3 NUTS levels. A region is included in one of the categories if it fulfils the population criteria included in the table below. Each NUTS 1 region can be divided into several NUTS 2 regions, which in their turn can be split into NUTS 3 regions.

The second level is used for defining eligible regions to be financed from structural funds. For example, for Romania, these are: North-West, Centre, North-East, South-Muntenia, Bucharest-Ilfov, South-West Oltenia, and West. The Romanian regions corresponding to the NUTS 3 level are the counties.

These two investment programs were successful in attaining set objectives, namely promoting the development at national level. Investment co-financing through the plan contributed significantly to reaching convergence between Ireland and the European Union from the point of view of the standard of living. The macroeconomic model of the Economic and Social Research Institute in Ireland indicates that the cumulative structural long term impact of the first two programming periods consists in an increase in the GNP with approximately 2 percentage points over the level that could have been attained without the use of structural funds. The impact on employment was also estimated to be positive.

In the period 1994-1999, the absorption of EU funds was done through programs elaborated for each sector. Thus, in 1994, eight Regional Authorities were set up to evaluate and implement these programs at the level of NUTS 3 regions. Nevertheless, over the 1990s, Ireland's development was heterogeneous, unbalanced. An analysis performed in 1997 revealed that prosperous regions in the east and south-east, which started with a higher level of development, prospered much faster than the west, north and centre regions.

Taking into account the mixed character of the development and the fact that this could have impeded sustainable development at national level, the strategy included in the National Development Plan for the period 2000-2006 proposed a balanced regional development. To facilitate the attainment of this goal, the government proposed (and the European Commission approved) the review of regional boundaries and the creation of 2 NUTS 2 regions: Border, Midlands and Western (BMW) and Southern and Eastern (S&E), each with a Regional Assembly¹². For the first time, the funds were allocated for two NUTS 2 regions and the regional programs were introduced.

Conclusions: Lessons from Ireland's experience

Ireland's example demonstrates the existence of a series of economic, social and political factors that contribute to the elaboration of a coherent strategy for planning, preparation and implementation of projects that attract EU funds so as to ensure the financing of projects with the highest value added. From the experience of the first "graduate" of the Cohesion Fund, the following lessons can be learnt:

Level	Minimum	Maximum
NUTS 1	3 million	7 million
NUTS 2	800 000	3 million
NUTS 3	150 000	800 000

- Ireland's experience draws attention to the fact that, in crisis situations, the cohesion countries lose faster the control at the macroeconomic level and in the situation of acute lack of political convergence, as it is the case today for Romania, the policies that could diminish the effects and could help exit the crisis more rapidly cannot be successfully adopted.

- Ireland's European trajectory demonstrates with clarity that the best policy to surmount a difficult period, especially like the one we are facing today, is that which

¹² The Regional Assembly is responsible for the management of the Regional Programme and of the Monitoring Committee.

proposes to balance the budget through drastic cuts in budgetary expenditure and not through increases in fiscal burden. In the situations in which there are barriers that impede the increase in budgetary revenues, the fall in expenditure represents the way to reduce the appetite and pressure from the unions to increase salaries, which have profound consequences on the increase of budgetary deficit and, at the same time, it represents a way to improve the business environment and enhance the country's attractiveness for foreign investments.

- The increase in budgetary expenditure in order to maintain a high level of aggregate demand cannot assure positive results if the internal demand is not sustained by the increase in production and development of internal services. It is possible to reach this objective through an extended partnership between the state, employers, unions, etc. in order to develop and implement a socio-economic strategy capable of ensuring the support of a large number the citizens.

- A successful investment policy based on the absorption of EU funds is that which acknowledges that the prioritization of strategic investment is government's responsibility, and not that of regional or local authorities. Taking actions with this end in view, Ireland presented to the European Commission large scale projects that were entering the implementation phase or were already in execution, which increased the country's credibility regarding its administrative capacity and the ability to use the allocated funds.

- Ireland established that the spending of EU funds to increase efficiency is of strategic importance, their absorption in according with the established rules remaining a permanent principle attached to the principle of efficient utilization. Coherent integration of the structural funds acquis ensured a positive impact, not only on the private field, but also on the public administration and government through activities such as monitoring and evaluation, impact assessment, multi-annual programming, social and regional partnership, Ireland integrating these principles in all public fields of activity.

- Ireland attached a strategic importance to foreign investments in the high-tech industry, objective that was facilitated by the previous allocation of EU funds to enhance the education level, which had important effects on the socio-economic development and attracted foreign investors. Ireland is the only cohesion country that allocated up to 35% of the EU funds to investments in human resources, compared to 25% for other cohesion countries. Romania allocated through the Operational Program Development of Human Resources¹³ only 18% of EU funds for the period 2007-2013.

- Demonstrating increased capacity to manage and utilize European funds by using structural funds through coherent policies, as well as ability to maintain and stimulate a healthy macroeconomic environment, Ireland was considered by the European Commission in its Second Progress Report on Cohesion an example of best practices at the highest level, which stimulates other countries to follow its example.

- Through a process of staged development of projects and use of European funds, Ireland completed a first step before moving on to the next one in order to consolidate results achieved in the previous periods by accessing EU funds in accordance with this

¹³ The Operational Program Development of Human Resources receives from the European Union 3,476 million euros, to which is added a national contribution amounting to 613 million euros.

strategy, taking measures to counter the effects of the country's regionalization, and taking an innovative approach to the public administration of EU funds.

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Ireland's experience represents for Romania, even following a summary analysis of its path to access EU funds, an example of good implementation strategy, adoption of pragmatic strategies, elaboration of coherent policies to access and use Community funding, prioritization and directing funds towards increased efficiency and the development of a healthy macroeconomic environment, as well as the establishment of a partnership between the state, employers, unions, farmers, etc. to ensure credibility and support for government strategies.

Note: The opinions expressed in this article belong to the authors and do not represent the official position of a public authority.

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